

AGENDA

Administrative Committee Meeting

June 14, 2006

9:00 a.m.

Location

SANBAG

Super Chief Conference Room

1170 W. 3rd Street, 2nd Floor

San Bernardino, CA

Administrative Committee Membership

Chair – SANBAG Vice President

Supervisor Dennis Hansberger
County of San Bernardino

SANBAG President

Council Member Kelly Chastain
City of Colton

SANBAG Past President

Supervisor Paul Biane
County of San Bernardino

Mt./Desert Representatives

Mayor Pro Tem Rick Roelle
Town of Apple Valley

Council Member James Lindley
City of Hesperia

Supervisor Bill Postmus
County of San Bernardino

East Valley Representatives

Mayor Pro Tem Bea Cortes
City of Grand Terrace

Council Member Bob Christman
City of Loma Linda

Supervisor Josie Gonzales
County of San Bernardino

West Valley Representatives

Council Member Gwenn Norton-Perry
City of Chino Hills

Mayor Paul Eaton
City of Montclair

Supervisor Gary Ovitt
County of San Bernardino

**San Bernardino Associated Governments
County Transportation Commission
County Transportation Authority
Service Authority for Freeway Emergencies
County Congestion Management Agency**

AGENDA

Administrative Committee Meeting

**June 14, 2006
9:00 a.m.**

Location: SANBAG, Super Chief Conference Room, 1170 W. 3rd Street, 2nd Floor,
San Bernardino

CALL TO ORDER 9:00 a.m.

(Meeting Chaired by Supervisor Dennis Hansberger)

- I. Attendance
- II. Announcements
- III. Agenda Notices/Modifications – Anna Aldana

Notes/Actions

1. **Possible Conflict of Interest Issues for the Administrative Committee Meeting June 14, 2006.** Pg. 5

Note agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation on the appropriate item.

Consent Calendar

Consent Calendar items shall be adopted by a single vote unless removed by member request.

Administrative Matters

2. **Attendance Register** Pg. 6

A quorum shall consist of a majority of the membership of each SANBAG Policy Committee, except that all County Representatives shall be counted as one for the purpose of establishing a quorum.

Consent Calendar Continued....

3. **Procurement Report for May 2006** Pg. 8
Receive Monthly Procurement Report. **Terrence J. McGuire**

Discussion Items**Administrative**

4. **Investment Policy No. 20100** Pg. 10
Review and recommend approval of modifications to Investment Policy No. 20100. **Terrence J. McGuire**
5. **Monthly SANBAG Investment Report** Pg. 22
Receive SANBAG Investment Report with new format. **Terrence J. McGuire**
6. **Award of Contracts for Bond Counsel and Financial Advisor** Pg. 29
1. Approve Contract 07009, Orrick Herrington & Sutcliffe, LLP for Bond Counsel Services in an amount not to exceed \$150,000.
2. Approve Contract 07011, Montague DeRose & Associates, LLC for Financial Advisor Services in an amount not to exceed \$150,000. **Terrence J. McGuire**
7. **Review of Budget Policy** Pg. 50
Approve Budget Policy to permit use of Measure I Funds to fund Reimbursable Costs for Major Projects and other Programs. **Terrence J. McGuire**

Transportation Programs & Fund Admin.

8. **Allocation of Local Transportation Funds (LTF) and State Transit Assistance Funds (STAF) for Fiscal Year 2006/2007** Pg. 52
Adopt Resolution 07-001 authorizing the allocation of Local Transportation Funds (LTF) and State Transit Assistance Funds (STAF) for Fiscal Year 2006/2007. **Mike Bair**
9. **Fiscal Year 2006/2007 Transportation Development Act (TDA) Unmet Transit Needs Public Hearings** Pg. 56
1. Adopt Definitions of "Unmet Transit Needs" and "Reasonable to Meet" as identified in Attachment A.
2. Set Times, Dates and Locations for the TDA Unmet Needs Public Hearings. **Mike Bair**

Comments from Committee Members

Public Comment

ADJOURNMENT

Additional Information

Acronym List

Pg. 60

Complete packages of the SANBAG agenda are available for public review at the SANBAG offices. Staff reports for items may be made available upon request. For additional information call (909) 884-8276.

Meeting Procedures and Rules of Conduct

Meeting Procedures

The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility

The SANBAG meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk's telephone number is (909) 884-8276 and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Agendas – All agendas are posted at 1170 W. 3rd Street, 2nd Floor, San Bernardino at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed at the SANBAG offices located at 1170 W. 3rd Street, 2nd Floor, San Bernardino and our website: www.sanbag.ca.gov.

Agenda Actions – Items listed on both the "Consent Calendar" and "Items for Discussion" contain suggested actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken by two-thirds vote of the Board of Directors.

Closed Session Agenda Items – Consideration of closed session items *excludes* members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the Chair will announce the subject matter of the closed session. If action is taken in closed session, the Chair may report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item. Individuals wishing to address the Board of Directors or Policy Committee Members should complete a "Request to Speak" form, provided at the rear of the meeting room, and present it to the Clerk prior to the Board's consideration of the item. A "Request to Speak" form must be completed for *each* item an individual wishes to speak on. When recognized by the Chair, speakers should be prepared to step forward and announce their name and address for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The Chair or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations.

The Consent Calendar is considered a single item, thus the three (3) minute rule applies. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda allowing further public comment on those items.

Agenda Times – The Board is concerned that discussion take place in a timely and efficient manner. Agendas may be prepared with estimated times for categorical areas and certain topics to be discussed. These times may vary according to the length of presentation and amount of resulting discussion on agenda items.

Public Comment – At the end of the agenda, an opportunity is also provided for members of the public to speak on any subject within the Board's authority. *Matters raised under "Public Comment" may not be acted upon at that meeting. "Public Testimony on any Item" still apply.*

Disruptive Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the Chair may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive conduct includes addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, or otherwise preventing the Board from conducting its meeting in an orderly manner. *Please be aware that a NO SMOKING policy has been established for meetings. Your cooperation is appreciated!*

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 1

Date: June 14, 2006

Subject: Information Relative to Possible Conflict of Interest

Recommendation*: Note agenda items and contractors/subcontractors which may require member abstentions due to possible conflicts of interest.

Background: In accordance with California Government Code 84308, members of the Board of Directors may not participate in any action concerning a contract where they have received a campaign contribution of more than \$250 in the prior twelve months from an entity or individual. This agenda contains recommendations for action relative to the following contractors:

Item No.	Contract No.	Contractor/Agents	Subcontractors
6	07009	Orrick Herrington & Sutcliffe, LLP <i>Roger Davis, Esq.</i>	None
6	07011	Montague DeRose & Assoc., LLC <i>Douglas S. Montague</i>	None

Financial Impact: This item has no direct impact on the 2005/2006 Budget.

Reviewed By: This item is prepared monthly for review by the Board of Directors and policy committee members.

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

ADMINISTRATIVE COMMITTEE ATTENDANCE ROSTER - 2006

Name	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Paul Biane		X		X	X							
Kelly Chastain	X	X	X	X	X							
Robert Christman	X	X	X	X	X							
Bea Cortes	X	X	X	X								
Paul Eaton	X	X			X							
Josie Gonzales	X											
James Lindley	X			X	X							
Dennis Hansberger	X	X	X	X								
Gary Ovitt	X	X										
Gwenn Norton-Perry		X		X								
Bill Postmus												
Rick Roelle	X	X	X	X	X							

The crossed-out boxes indicate members who were not on the committee as of that month.

The empty boxes indicate member who did not attend the meeting that month.

ADMINISTRATIVE COMMITTEE ATTENDANCE ROSTER - 2005

Name	Jan	Feb*	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Paul Biane	X			X	X	X	X	X	X	X	X	X
Kelly Chastain	X		X		X	X	X	X	X	X	X	X
Robert Christman			X	X	X	X		X	X	X	X	
Bea Cortes			X	X	X	X	X	X	X	X		X
Paul Eaton	X		X	X		X			X	X	X	X
Josie Gonzales	X			X	X	X	X				X	X
James Lindley	X					X		X	X	X	X	X
Dennis Hansberger			X	X	X	X	X		X	X	X	X
Gary Ovitt	X			X	X			X	X	X	X	X
Gwenn Norton-Perry	X			X		X	X	X			X	
Bill Postmus	X			X	X	X	X	X			X	X
Rick Roelle			X		X	X	X	X			X	

The crossed-out boxes indicate members who were not on the committee as of that month.

The empty boxes indicate member who did not attend the meeting that month.

*The Administrative Committee did not meet in February.

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
- San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 3

Date: June 14, 2006

Subject: Procurement Report for May 2006

Recommendation:* Receive Monthly Procurement Report.

Background: The Board of Directors approved the Contracting and Procurement Policy (Policy No. 11000) on January 3, 1997. The Executive Director, or his designee, is authorized to approve Purchase Orders up to an amount of \$25,000. All procurements for supplies and services approved by the Executive Director, or his designee, in excess of \$5,000 shall be routinely reported to the Administrative Committee and to the Board of Directors.

Attached are the purchase orders in excess of \$5,000 to be reported to the Administrative Committee for the month of May 2006.

Financial Impact: This item imposes no impact on the FY 2005/06 Budget. Presentation of the monthly procurement report will demonstrate compliance with the Contracting and Procurement Policy (Policy No. 11000).

Reviewed By: This item is scheduled for review by the Administrative Committee on June 14, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

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Approved
Administrative Committee

Date: _____

Moved: _____ Second: _____

In Favor: _____ Opposed: _____ Abstained: _____

Witnessed: _____

PURCHASE ORDERS ISSUED FOR MAY 2006

P.O. #	Vendor	Purpose	Sole Source Y/N	Amount
060118	UCLA	SANBAG Co-sponsorship of 2006 Arrowhead Symposium	Y	\$ 6,000.00
		TOTAL PURCHASE ORDERS ISSUED		\$ 6,000.00

-
- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
 - San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies
-

Minute Action

AGENDA ITEM: 4

Date: June 14, 2006

Subject: Investment Policy No. 20100

Recommendation:* Review and recommend approval of modifications to Investment Policy No. 20100.

Background: The California Government Code, which governs the investment of public funds (Section 53635 et seq.), mandates that the governing body of a local agency annually review the agency's investment policy at a public meeting. SANBAG's policy was previously reviewed and approved at the Board of Director's meeting on November 2, 2005.

As the Chief Financial Officer, I reviewed the current Investment Policy and determined that it was very conservative for an agency with cash flows similar to SANBAG's funding and cash flows. I asked PFM Investment Management, who is the new SANBAG investment advisor since April 1, 2006, to review the policy and recommend changes. We both agreed that adoption of a new policy which incorporated some of the more important existing provisions permitted in the California Government Code would be appropriate for the needs of SANBAG and should be considered by SANBAG.

Approved
Administrative Committee

Date: _____

Moved: *Second:*

In Favor: *Opposed:* *Abstained:*

Witnessed: _____

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94207000
Attachment
Draft Investment Policy 20100

The current Investment Policy is conservative and was developed in response to the Orange County bankruptcy. The California Government Code permits more diversification of investments, no limits on the investment allocation to U.S. Agency securities, and maturities up to 5 years. The recommended new Investment Policy permits investments with maturities up to 3 years, permits an increase in Commercial Paper allocation from 15% to 25%, has no limit to the investment allocation to U.S. Agency securities, and permits investments in Repurchase Agreements, Bankers' Acceptances, Medium Term Corporate Securities and Bank Certificates of Deposit with ratings requirements established by the California Government Code.

Attached is a new Investment Policy (marked for changes) recommended for discussion and consideration by this committee.

Financial Impact: There is no immediate impact to the current budget or the FY 2005/2006 Budget. The Chief Financial Officer expects that the new Investment Policy will improve the investment returns for the SANBAG investment portfolio with minimal increase in market and credit risk. Oversight activities for SANBAG investments are consistent with the FY 2006/2007 Budget. Funding sources are Measure I Valley Administration Fund and Measure I Mountain/Desert Administration Fund (Task No. 94207000).

Reviewed By: This item is scheduled for review by the Administrative Committee on June 14, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

San Bernardino Associated Governments	Policy	20100
Adopted by the Board of Directors October 2, 1996	Revised	11/2/05 6/14/06
Investment Policy	Revision No.	9 10

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I. PURPOSE

The purpose of this policy is to provide guidelines for the investment of funds based upon prudent cash management practices and in conformity with all applicable statutes.

II. DEFINITIONS (None)

III. POLICY

The Board of Directors of the San Bernardino Associated Governments (SANBAG) and its related authorities and agencies recognizes its responsibility to direct the investment of funds under its care. This policy is designed to meet the specific needs of SANBAG while ensuring the safety of funds.

IV. INVESTMENT GOALS

The investment of funds by SANBAG shall be guided by the goals of safety, liquidity, diversification, and a reasonable market rate of return.

Safety: Safety of principal is the foremost objective of the investment program. Investments of SANBAG will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity: SANBAG's investment portfolio will remain sufficiently liquid to enable SANBAG to meet all operating requirements and budgeted expenditures, including an additional amount to cover reasonably estimated contingencies.

Diversification: The investment portfolio will be diversified to avoid risk regarding specific security types or individual financial institutions.

Reasonable Market Rate of Return: The investment portfolio will be designed to attain a market average rate of return through economic cycles which is consistent with SANBAG's primary goals of safety, liquidity and diversification.

VIV. PRUDENT INVESTOR STANDARD

SANBAG investments are governed by the Prudent Investor Standard, set forth as follows:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of investment of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments may be acquired as authorized by law.

VIV. SCOPE

The investment policy applies to all financial assets held by SANBAG, including bond proceeds. Funds specifically exempt from this policy include employee deferred compensation plans, employee pension plans, or assets held in trust by SANBAG with specific investment instructions.

VIV. DELEGATION OF AUTHORITY

SANBAG's bylaws designate the Executive Director as Treasurer for the Agency.

Under the direction and oversight of the Executive Director, and in consultation with SANBAG's investment adviser, the Chief Financial Officer (CFO) shall direct the investment of SANBAG operating funds, which are not invested in the County Pool or in LAIF ("DIRECT INVESTMENTS"). In addition, the CFO, under the direction and oversight of the Executive Director, and in consultation with SANBAG's investment adviser, shall review the alternatives for the investment of bond proceeds, and shall recommend such investments to the SANBAG Board for its approval. All officials, staff members and consultants are directly accountable to the SANBAG Board for investment functions.

VIII. CONFLICTS OF INTEREST

All officials, staff members and consultants involved in the investment functions will refrain from personal business activity that could conflict with the execution of the investment function or which could impair their ability to make impartial investment decisions. Officials, staff members, and consultants will disclose to the Executive Director any financial interest with a financial institution or broker that conducts business with SANBAG. Officials, staff members and consultants will further disclose any personal financial positions that could be related to the performance of SANBAG's portfolio.

IXVIII. PORTFOLIO MATURITY LIMITS

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Authority to meet all projected obligations.

SANBAG's investments in the San Bernardino County Pool and in LAIF are subject to maturity limits and other investment restrictions as imposed by the governing bodies of those agencies. The maximum maturity of any other investment of operating funds ("direct investments") may not exceed ~~two~~three years.

Investment of bond proceeds shall be made in consideration of the liquidity needs of the bond fund, and may not exceed five years, except for securities to be held in a defeasance escrow for refunded bonds and bond debt serve reserve funds.

Investments in the San Bernardino County Pool and in LAIF are subject to maturity limits and other investment restrictions as imposed by the governing bodies of those agencies.

XIX. ALLOWABLE INVESTMENTS FOR SANBAG OPERATING FUNDS

Investment of local agency ~~SANBAG's~~ funds is governed by the California Government Code, Sections 53600 et seq. and 53635 et seq. Should the Government Code become more restrictive than this policy, the Government Code restrictions shall prevail.

It shall be ~~SANBAG's~~ long term objective to diversify its investments by maintaining approximately one half of its investable operating funds in LAIF, and approximately one half in direct investments in US Treasury securities, Federal agency notes, commercial paper, and money market mutual funds. In order to minimize transfers among allowable investment vehicles, the allowable maximum for the LAIF shall be 60%. Because it can be fully diversified, up to 100% of SANBAG operating funds may be comprised of direct investments. In addition, SANBAG shall maintain adequate funds in the San Bernardino County Pool to fund checks drawn on the County Treasury. It is estimated that an amount not to exceed 30% of SANBAG's operating funds is sufficient to fund checks drawn on the County Treasurer.

The following investment vehicles are permitted for the investment of operating reserves:

1. San Bernardino County Investment Pool		
Quality:	AAA	
Portion of Portfolio:	30% maximum	
Term:	Average maturity of fund must be less than 3 years	

2. California State Local Agency Investment Fund (LAIF)		
Quality:	Not rated	
Portion of Portfolio:	60% maximum	

Term:

Average maturity of fund must be less than 3 years

Direct Investments

3- Money Market Mutual Funds

Quality:	AAA
Portion of Portfolio:	20% maximum
Term:	Limited to funds which strive to maintain a share value of \$1.00 (money market funds) and which invest in securities permitted by the California Government Code.

4- United States Treasury Bill, Notes, and Bonds

Quality:	Not applicable
Portion of Portfolio:	No limit
Term:	2 year maximum

5- Government Agency Securities (Includes Federal agency obligations and United States sponsored enterprises)

Quality:	Not applicable
Portion of Portfolio:	40%
Term:	2 year maximum

6- Commercial Paper

Quality:	P1 (Moody=s) and A1 (Standard and Poor=s)
Portion of Portfolio:	15%
Issue Limit:	5%
Term:	270 day maximum

The following investment vehicles are permitted for the investment of operating funds.

- A. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. Repurchase Agreements used solely as short-term investments not to exceed 30 days.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in IX. A and B, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to SANBAG's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102% of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis and the value of the underlying securities brought back up to 102% no later than the next business day.

Market value must be calculated each time there is a substitution of collateral.

SANBAG or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to the Repurchase Agreement.

SANBAG may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

SANBAG will have specific written agreements with each firm with which it enters into Repurchase Agreements.

Reverse repurchase agreements will not be allowed.

- E. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized statistical-rating organization.

Purchases of Bankers' Acceptances may not exceed 180 days maturity or 20% of SANBAG's investment portfolio. No more than 5% of SANBAG's investment portfolio may be invested in the Bankers' Acceptances of any one commercial bank.

- F. Commercial paper rated in the highest short-term rating category, as provided by a nationally recognized statistical-rating organization, provided that the issuing corporation is organized and operating within the United States, has total assets in excess of \$500 million and has an "A" or higher rating for its long-term debt, if any, as provided by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

- (1) The entity meets the following criteria: (a) is organized and operating in the United States as a general corporation; (b) has total assets in excess of five hundred million dollars (\$500,000,000); (c) has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization.
- (2) The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust, or limited liability company; (b) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; (c) has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 25% of SANBAG's investment portfolio. No more than 5% of SANBAG's investment portfolio may be invested in commercial paper of one issuer.

- G. Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "AA," or its equivalent or better, by a nationally recognized statistical-rating organization.

Purchase of medium-term corporate notes may not exceed 20% of SANBAG's investment portfolio. No more than 5% of SANBAG's investment portfolio may be invested in a medium-term note of any one corporation.

- H. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank provided that the senior debt obligations of the issuing institution are rated "AA" or better by a nationally recognized statistical-rating organization.

Purchase of negotiable certificates of deposit may not exceed 20% of SANBAG's investment portfolio.

- I. State of California's Local Agency Investment Fund (LAIF)
Investment in LAIF may not exceed 60% of SANBAG's operating funds or \$40 million, whichever is less.

- J. San Bernardino County Investment Pool
Investment in the San Bernardino County Investment Pool may not exceed 30% of SANBAG's operating funds.

- K. Insured savings accounts

- L. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The purchase price of shares of beneficial interest purchased shall not include any commission that the companies may charge and shall not exceed 20% of SANBAG's investment portfolio. Further, no more than 10% of SANBAG's investment portfolio may be invested in shares of beneficial interest of any one money market fund.

For purposes of determining compliance with this policy, where this section specifies a percentage limitation for a particular category of investment, that percentage is applied on the date of purchase. Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased.

XIX. ADDITIONAL ALLOWABLE INVESTMENTS FOR BOND PROCEEDS ONLY

- A. California Arbitrage Asset Management Program (CAMP)'s separately managed portfolios and money market fundspool, which are rated AAA or better and have an average maturity of one year or less and its separately managed portfolio.

B. Investment agreement with a AA rated bank or collateralized investment agreement with an A rated bank or an investment acceptable to a bond insurance company and approved specifically by the SANBAG Board.

C. Debt service reserve funds and debt service funds may be invested longer than five years as long as they are permitted by state law and investments are readily available for bond payments and other bond purposes (refundings, defeasance, etc.).

D. U.S. Treasury Securities and State and Local Government Securities having a maturity longer than five years are permitted for escrowed defeasances.

E. Forward purchase agreements, forward delivery agreements and debt service reserve agreements approved specifically by the SANBAG Board.

F. Other investments as permitted by bond indentures.

XII.XI PROHIBITED INVESTMENT TRANSACTIONS

Any investment not specifically allowed by this policy is prohibited.

XIII.XII. INVESTMENT IN "DERIVATIVE" SECURITIES

Direct investment in derivative securities is prohibited. A "derivative security" is any investment the value of which is derived from an underlying security, commodity or index. For purposes of this policy, a derivative is any security that has principal and/or interest payments which are subject to significant uncertainty as to timing, and/or amount.

It is understood that the County Pool and LAIF may invest in certain derivative securities.

XIV.XIII. LEVERAGING

All forms of portfolio leverage, including, but not limited to, securities lending programs, reverse repurchase agreements, and margin accounts, are prohibited.

XV.XIV. SAFEKEEPING OF SECURITIES

SANBAG shall enter into an agreement with a bank trust department to serve as the safekeeping agent for all direct investments. The safekeeping agent shall hold all investments in an account for the sole benefit of SANBAG. All direct investments shall be delivered by the broker to SANBAG's safekeeping account on a delivery versus payment basis.

XVIXV. COMPETITIVE BIDDING OF INVESTMENTS

The investment procedures require that approved broker/dealers compete for direct investment purchases and sales to ensure that all investment transactions are free from favoritism. The CFO shall determine the best execution price for SANBAG, and act accordingly.

XVHXVI. QUALIFICATIONS OF BROKER/DEALERS

If a third party investment advisor is authorized to conduct investment transactions on SANBAG's behalf, the investment advisor may use their own list of approved broker/dealers and financial institutions for investment purposes. The investment advisor's approved list must be made available to SANBAG upon request.

For any investment transactions conducted by the Treasurer on behalf of SANBAG, the Treasurer shall comply with the following requirements:

All investment transactions initiated on behalf of SANBAG shall be executed through government securities dealers reporting as primary dealers to the New York Federal Reserve Bank of New York or direct issuers (defined as corporations that issue their own securities) and through secondary dealers who have received prior approval to do business with SANBAG.

Primary dealers wishing to do business with SANBAG must meet the following criteria:

1. The primary dealer representative must have demonstrated experience providing investment services to public agencies in California.
2. The primary dealer representative must provide SANBAG with a minimum of three references of finance officials from public agencies in California.
3. The primary dealer representative must demonstrate expertise in the particular categories of investment securities that meet SANBAG's objectives, as described in SANBAG's Investment Policy.

Transactions may be executed through secondary dealers who have received prior approval to do business with SANBAG. In order to obtain approval, secondary dealers must complete a broker/dealer application provided by SANBAG, and must meet the following criteria to the satisfaction of SANBAG's Chief Financial Officer:

1. The broker/dealer must qualify under SEC Rule 15C3-1 (uniform net capital rule).
2. The broker/dealer and the broker/dealer representative must be properly registered with the appropriate state and federal regulatory bodies.
3. The broker/dealer should be a market maker and have a strong market presence in one or more product areas that are pertinent to SANBAG's investment goals.
4. The broker/dealer and its representative should be well established in the business and have an acceptable track record.

Both primary and secondary broker/dealers will be evaluated on trade execution, accuracy and timeliness of information provided, and quality of service.

Each broker/dealer will be sent a copy of this Policy, a broker/dealer application, and a list of persons authorized to execute transactions on SANBAG's behalf. In order to be considered for investment business opportunities with SANBAG, each firm must acknowledge receipt of such materials.

~~XXVIII. ANNUAL MANAGEMENT REVIEW AND AUDIT~~

An annual audit of all SANBAG's investment policies, practices, procedures, and portfolio status will be conducted by an independent consultant. The consultant will provide SANBAG with written observations and recommendations regarding the adequacy of investment controls.

~~XIX. SEGREGATED INVESTMENT, EXECUTION AND RECORD KEEPING, AND REPORTING~~

Monthly reconciliation of the CFO's investment records to bank, broker/dealer, and safekeeping confirmations will be performed by a member of the finance staff other than the CFO.

~~XXXVII. QUARTERLY REPORTING~~

The CFO will provide a quarterly report to the Administrative Committee and to the Board of Directors providing the following information:

A. Breakdown of all securities, investments and moneys held by SANBAG by investment type, issuer, date of maturity, par, dollar amount and percent of portfolio invested in each.

B. A description of all SANBAG's funds, investments or programs that are under the management of any outside party that is not a local agency. This report must also include market valuation of the portfolio and the source of the valuation.

C. A statement of compliance with investment policy and a statement denoting the ability of SANBAG to meet its expenditures for the next six months.

~~XXIXVIII. ANNUAL SUBMISSION OF INVESTMENT POLICY~~

SANBAG's CFO shall render a statement of investment policy to the Board of Directors annually. The Board shall consider the policy, with any changes, in a public meeting.

~~XXIX. REVISION HISTORY~~

Revision No.	Revisions	Adopted
0	Adopted by the Board of Directors.	10/2/96
1	20100: Added paragraph starting with "It shall be SANBAG's long term objective . . .".	9/3/97
2	No changes.	12/2/98
3	20100.10: Changed percentage of operating funds amount to 20%. 20100.10: Changed percentage of San Bernardino portfolio to 20%.	11/3/99
4	No changes. Re-approved by the Board of Directors.	11/1/00

5	Added Para. 20100.16 Qualifications of Broker/Dealers; re-sequenced existing paragraphs. 20100.16, 20100.17, 20100.18, 20100.19, 20100.20, and 20100.21 to 20100.17, 20100.18, 20100.19, 20100.20, and 20100.22. Revised Par. 20100.10: Revised "...not to exceed 20% of SANBAG's operating funds..." to "...not to exceed 30% of SANBAG's operating funds...", and "Portion of Portfolio: 20% maximum" to "Portion of Portfolio: 30% maximum".	11/7/01
6	Changed paragraph numbering style from 20100.1, 20100.2, 20100.3 etc. to I, II, III, etc. Par. IX: Changed "one year" to "two years". Par. X.4: Changed "1 year maximum" to "2 year maximum". Par. X.5: Changed "1 year maximum" to "2 year maximum". Par. X.6: Changed "180 days maximum" to "270 day maximum".	11/6/02
7	No changes. Re-approved by the Board of Directors	11/5/03
8	No changes. Re-approved by the Board of Directors	1/5/05
9	No changes. Re-approved by the Board of Directors	11/02/05
10	Paragraphs on DEFINITIONS, ANNUAL MANAGEMENT REVIEW AND AUDIT, AND SEGREGATED INVESTMENT, and EXECUTION AND RECORD KEEPING: Deleted. Paragraphs III, IV, IX, and XVII: Minor revisions. Paragraphs VIII, IX, and XVI: Major revisions.	

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 5

Date: June 14, 2006

Subject: Monthly SANBAG Investment Report

Recommendation:* Receive SANBAG Investment Report with new format.

Background: The SANBAG Investment Report, which has been distributed monthly to the Board in the Board packet, has been a lengthy summary of the investment program including a summary of Local Agency Investment Funds (LAIF), and all investment holdings of the San Bernardino County pool. Reports in the past have often been over 70 pages of information and presented more information than what may be useful for the Board and more than what is required by the California Government Code.

The attached report has been shortened significantly and designed to present the most important information to the Board in a manner that is hopefully easier to read and understand. The report contains all information that is required by the California Government Code, and the more detailed information on the investment program is available from the Chief Financial Officer or his staff.

Financial Impact: There is no impact to SANBAG's current or future budgets.

Reviewed By: This report format has been prepared by the Chief Financial Officer and Public Financial Management, the agency's Investment Advisor. This item is scheduled for review by the Administrative Committee on June 14, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

*

Approved
Administrative Committee

Date: _____

Moved:

Second:

In Favor:

Opposed:

Abstained:

Witnessed: _____

-
- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies
-

Memo

DATE: May 22, 2006

TO: Board of Directors

FROM: Terrence J. McGuire
Chief Financial Officer *TJM*

SUBJECT: Monthly Investment Report for Period Ending April 30, 2006

In the past, the Chief Financial Officer provided a monthly investment report with detailed information about every security in SANBAG's portfolio and the portfolios of the pools in which SANBAG had investments. Accordingly, the report contained more than 75 pages of data, but no overview of the portfolio. I have attached an investment report which provides summary level information about SANBAG's portfolios comprising operating reserves and rail assets as of April 30. I believe that this report presents SANBAG's investments in a format that clearly illustrates how these funds are invested. The report includes information about the portfolio composition, credit quality, and maturity structure. In addition to this report, I am including the Summary of Portfolio Holdings and the Cash Flow Forecast, which have historically accompanied the monthly report. The Summary of Portfolio Holdings shows the investments in the bond funds held by the bond trustee, the Bank of New York Trust Company, as well as the total balances in the operating reserve and rail assets portfolios. The detailed data that was formerly included in the monthly report is available from Jenny Betancourt in my office.

The portfolio is in compliance with SANBAG's investment policy and the California Government Code.

The portfolio is structured so that sufficient funds are available to meet our operating requirements and our construction and debt service payments for the next six months.

cc: Tony Grasso

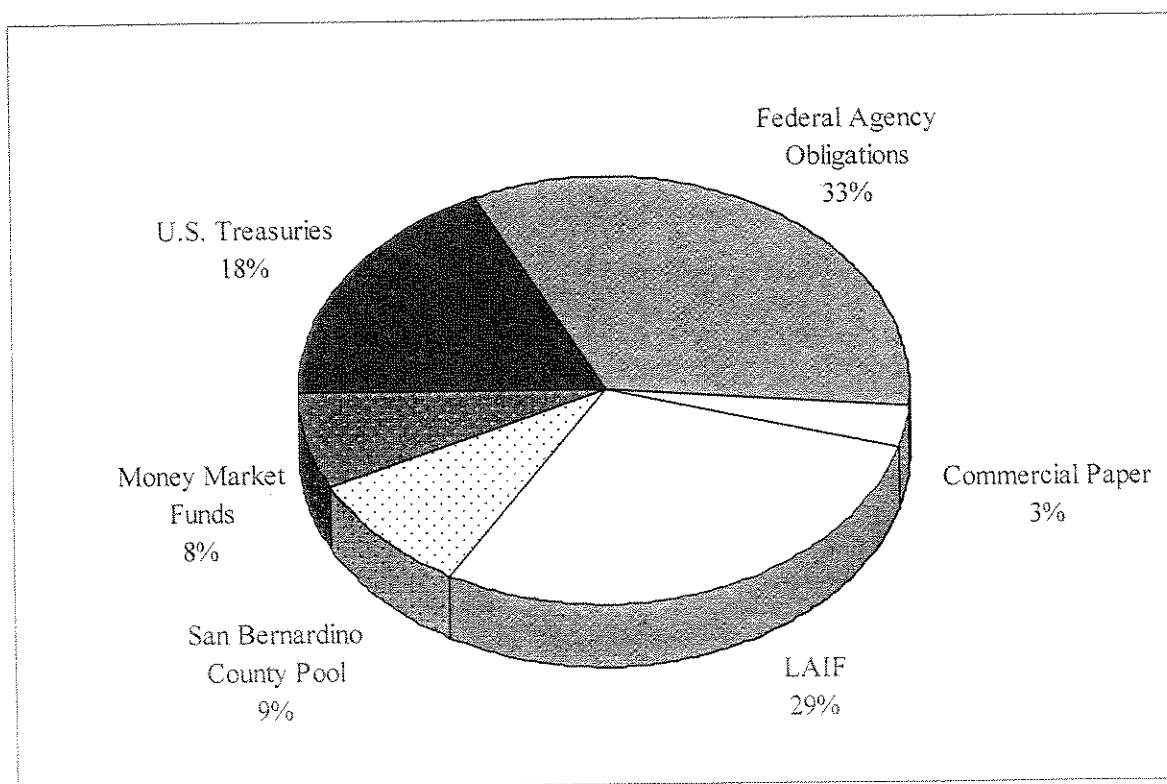
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April 30, 2006

A listing of SANBAG's investments for the operating reserve and rail assets is shown below.

Composition of Portfolio			
	Market Value	Percentage of Portfolio	% Permitted by Policy
U.S. Treasuries	\$24,108,092	18%	100%
Federal Agencies	44,144,582	33%	40%
Commercial Paper	4,253,143	3%	15%
Money Market Funds	9,663,912	8%	20%
Local Agency Investment Fund	38,639,473	29%	60%
San Bernardino County Investment Pool	12,106,993	9%	30%
TOTAL PORTFOLIO	\$132,916,195	100%	

Composition Distribution

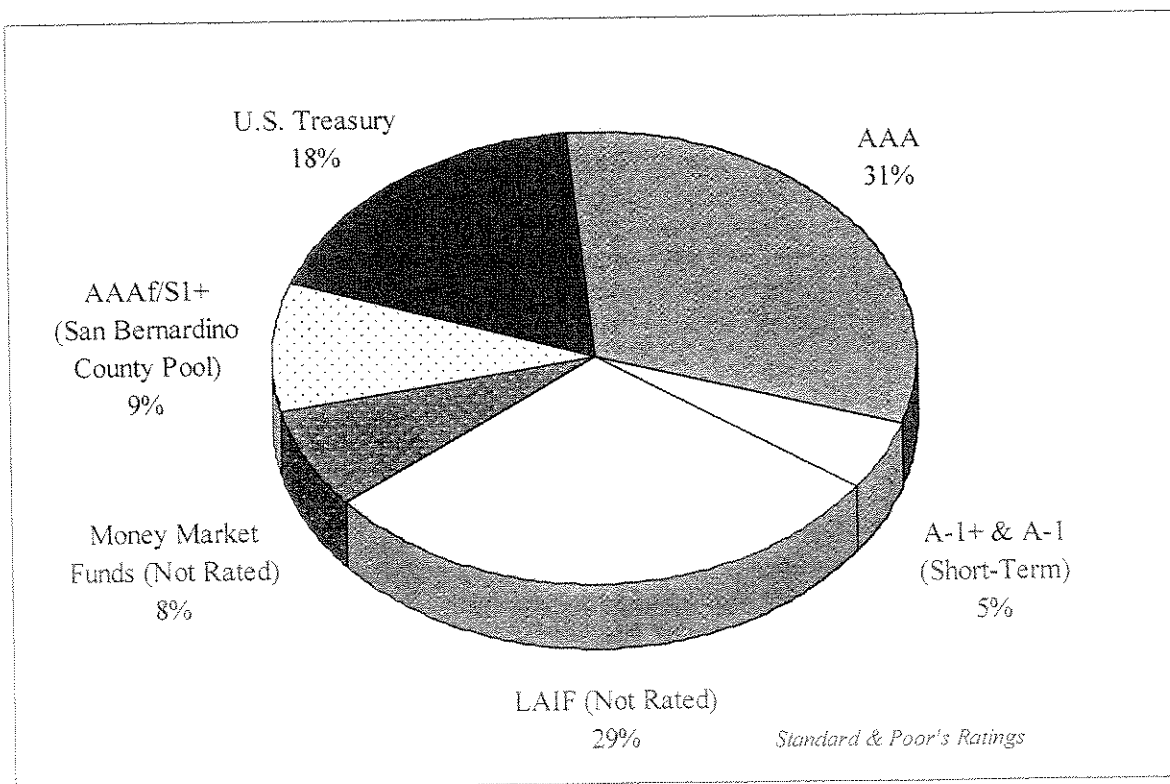


April 30, 2006

The securities in SANBAG's portfolio are high quality, as shown below.

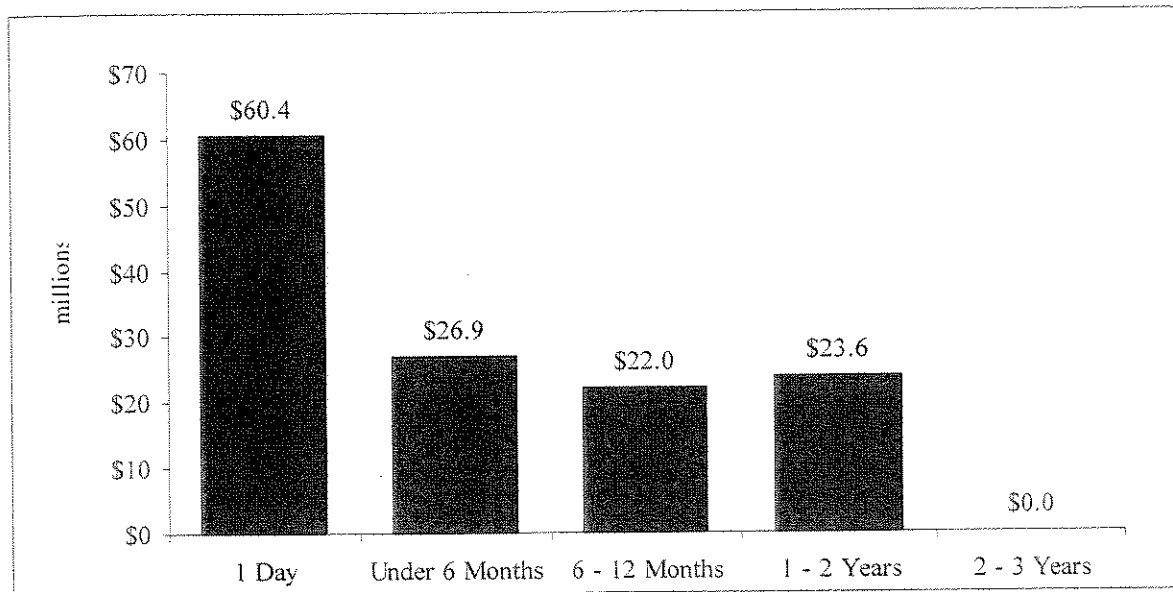
Credit Ratings of Portfolio		
	Market Value	Percentage of Portfolio
U.S. Treasury	\$24,108,092	18%
AAA	41,498,516	31%
AAAf/S1+ (San Bernardino County Investment Pool)	12,106,993	9%
A-1/P-1 (Short-Term Rating)	6,899,209	5%
AA	0	0%
A	0	0%
Money Market Funds (Not Rated)	9,663,912	8%
LAIF (Not Rated)	38,639,473	29%
TOTAL	\$132,916,195	100%

Credit Rating Distribution



April 30, 2006

The portfolio has a high degree of liquidity.

Maturity Distribution of Portfolio**Characteristics of PFM-Managed Portfolio***

Weighted average years to maturity:	0.76 years
Yield to maturity at cost:	3.94%
Yield to maturity at market:	5.07%

*Excludes LAIF, Money Market Funds and San Bernardino County Investment Pool

Summary of Portfolio Holdings April 30, 2006

Account Name	Par/Shares	Original Cost	Market Value	Average Maturity	Investment Vehicle
Operating Reserve Portfolio	\$69,340,000	\$68,747,881	\$68,432,115	0.8 years	Individual Portfolio
Liquid Funds	60,410,378	60,410,378	60,410,378	1 day	County Pool/LAIF/MMF
Rail Assets Portfolio	4,085,000	4,050,172	4,073,701	20 days	Individual Portfolio
Sub-Total	\$133,835,378	\$133,208,431	\$132,916,195		
TRUSTEE HELD FUNDS					
92A Escrow Reserve	\$40,246,000	\$15,360,165	\$36,271,856	2.2 years	Individual Portfolio
93A Revenue Fund	14,302,779	4,992,606	12,268,560	4 years	Individual Portfolio
	80	80	80	1 day	Dreyfus Fund
96A Revenue Fund	70,710	70,710	70,710	1 day	Dreyfus Fund
Interest Fund	233,577	233,577	233,577	1 day	Dreyfus Fund
Principal Fund	860,833	860,833	860,833	1 day	Dreyfus Fund
97A Revenue Fund	117,289	117,289	117,289	1 day	Dreyfus Fund
Interest Fund	316,164	316,164	316,164	1 day	Dreyfus Fund
Principal Fund	1,437,500	1,437,500	1,437,500	1 day	Dreyfus Fund
2001A Revenue Fund	132,009	132,009	132,009	1 day	Dreyfus Fund
Interest Fund	325,427	325,427	325,427	1 day	Dreyfus Fund
Principal Fund	1,637,500	1,637,500	1,637,500	1 day	Dreyfus Fund
2001B Revenue Fund	117,236	117,236	117,236	1 day	Dreyfus Fund
Interest Fund	263,550	263,550	263,550	1 day	Dreyfus Fund
Principal Fund	1,448,333	1,448,333	1,448,333	1 day	Dreyfus Fund
Sub-Total	\$61,508,987	\$27,312,980	\$55,500,625		
GRAND TOTAL	\$195,344,365	\$160,521,411	\$188,416,820		

MAJOR PROJECTS MEASURE I **CASH FLOW PLAN (ECAP Forecast Minus 1%)**

FISCAL 05/06 BASELINE PLAN
APRIL 2005 INCLUDING UPDATED AND PRIOR YEARS DATA

FISCAL YEARS
DOLLARS IN MILLIONS

	PTD	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	TOTAL
YEARLY BEGINNING BALANCE		81.3	70.6	35.9	87.0	70.1	75.3	82.5	83.2	48.6	14.7	29.0	37.1	44.3	(18.8)	
PROJECTED REVENUE	453.8	45.2	46.8	140.5	55.7	57.6	67.9	68.8	71.6	75.6	81.2	92.8	86.4	0.0	0.0	1,343.9
MEASURE I REVENUE/INTEREST							2.2	9.0	36.9	25.6	18.7	17.5	1.5	17.6	17.1	146.1
FEDERAL (CMAQ, STPL)							25.3	29.2	71.7	10.0	48.6	77.6	72.8	28.6	25.0	388.8
STATE (RIP, TCRP)							0.5	2.5	0.7	1.3	0.8	0.9	0.0	0.0	0.0	6.7
MISC							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.0
PRIOR YRS FEDERAL, STATE	38.3	7.4	12.5	17.3	74.9	45.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	198.0
TOTAL FUNDING	492.1	52.6	59.3	157.8	130.6	103.2	95.9	109.5	180.9	112.5	149.3	188.8	160.7	46.2	42.1	2,039.4
PROJECT EXPENDITURES																
I-10 - EAST PROJECTS	29.8	14.6	11.4	1.4	2.3	3.0	12.5	14.8	17.4	25.5	9.2	16.8	11.6	0.0	0.0	170.3
SR-210-SEGS 9,10,11, LANDSCAPE 1-4,8-11	67.3	19.3	50.6	74.3	100.4	53.7	26.7	27.6	111.2	49.6	16.4	40.8	12.7	0.0	0.0	650.6
I-215 - SEGS 1,2,3,5	0.0	0.0	0.1	0.1	0.9	2.8	4.7	23.0	41.7	28.3	67.3	81.1	88.5	106.9	56.8	502.2
REMAINING PROJECTS, ADMIN	222.8	7.8	10.3	9.3	9.9	5.3	6.5	5.2	7.1	4.8	4.0	4.0	2.4	2.4	1.6	303.4
DEBT SERVICE	90.9	21.6	21.6	21.6	34.0	33.2	38.3	38.2	38.1	38.2	38.1	38.0	38.3	0.0	0.0	490.1
TOTAL COSTS	410.8	63.3	94.0	106.7	147.5	98.0	88.7	108.8	215.5	146.4	135.0	180.7	153.5	109.3	58.4	2,058.2
REVENUE OVER (UNDER) EXPENDITURES		(10.7)	(34.7)	51.1	(16.9)	5.2	7.2	0.7	(34.6)	(33.9)	14.3	8.1	7.2	(63.1)	(16.3)	
YEARLY ENDING BALANCE	81.3	70.6	35.9	87.0	70.1	75.3	82.5	83.2	48.6	14.7	29.0	37.1	44.3	(18.8)	(35.1)	

20-Jul-05

PLAN ASSUMPTIONS

- ◆ Based on February 2004 STIP Submittal and 2005 reprogramming of RIP from I-10 Median Widening to I-215 North.
- ◆ OA for Federal funds - All available current TEA-21 CMAQ (03/04 - 08/09) for six years, four years of STPL (03/04 - 08/07), two years of Unprogrammed STPL (07/08 & 08/09) on I-215. No Federal or State Funding shown for fiscal years 09/10, 10/11, or 11/12.
- ◆ TCRP funding for I-10 Median deferred to 08/09 with Letter of No Prejudice for using upfront Measure funding for construction
- ◆ TCRP fully funded and new allocations given for I-215 in 07/08 and 08/09 for I-10 Median
- ◆ Early Bridge package for I-215 at 5th Street
- ◆ Based on SR 210 segment 9,10,11 bids, I-10 & I-215 North project estimates as of November 2004
- ◆ Future construction costs escalated at 3% per year

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 6

Date: June 14, 2006

Subject: Award of Contracts for Bond Counsel and Financial Advisor.

Recommendation: *

1. Approve Contract 07009, Orrick Herrington & Sutcliffe, LLP for Bond Counsel Services in an amount not to exceed \$150,000.
2. Approve Contract 07011, Montague DeRose & Associates, LLC for Financial Advisor Services in an amount not to exceed \$150,000.

Background: At the Administrative Committee meeting on April 12, 2006, a request was made for the Administrative Committee to authorize the release of three RFPs: RFP 07-004 for Bond Counsel; RFP 07-005 for Investment Bankers; and, RFP 07-006 for Financial Advisor. The Committee authorized the release of the RFPs.

The RFPs were released on April 17, 2006. A list of the firms that submitted proposals and the firms that were ultimately interviewed for each RFP is attached to this agenda item.

SANBAG received proposals for Bond Counsel from 9 firms on April 26, 2006. The proposals were reviewed by the SANBAG CFO and a representative of the San Bernardino County Counsel office. Three firms were selected for interviews for Bond Counsel and/or Disclosure Counsel: Orrick; Nossaman, Guthner, Knox & Elliott; and, Squire, Sanders & Dempsey. The interviews were completed on May 8, 2006. After the RFP process and interviews, the selection panel

*

Approved
Administrative Committee

Date: _____

Moved:

Second:

In Favor:

Opposed:

Abstained:

Witnessed: _____

recommended that SANBAG select Orrick as Bond Counsel and Nossaman, Guthner, Knox & Elliott as Disclosure Counsel.

SANBAG received proposals for Investment Banking services from 10 firms on April 28, 2006. The proposals were reviewed by the SANBAG CFO, the RCTC CFO and a representative of the public finance staff in the San Bernardino County's CAO office. A short list of firms for interviews was identified on May 5, 2006 and interviews of 6 firms were completed on May 15, 2006. After the RFP process and interviews, the selection panel recommended that SANBAG select Merrill Lynch as senior manager, Goldman Sachs as co-senior manager, and UBS, Citigroup and Lehman Brothers as co-managers.

SANBAG received proposals for Financial Advisor services from 7 firms on April 27, 2006. The proposals were reviewed by the SANBAG CFO, the RCTC CFO and the Deputy Administrative Officer of the County responsible for bond financing. A short list of firms for interviews was identified on May 8, 2006 and interviews were completed on May 17, 2006. After the RFP process and interviews, the selection panel recommended that SANBAG select Montague DeRose and Associates as Financial Advisor.

On May 10, 2006, the Administrative Committee received a status report for this procurement and unanimously recommended that the recommendations for selection of the Financial Advisor, Bond Counsel, Disclosure Counsel, and Investment Banking Team be submitted directly to the Board for approval.

On June 7, 2006, the Board of Directors approved the selection committee recommendations for the financing team as follows:

Montague DeRose and Associates – Financial Advisor

Orrick – Bond Counsel

Nossaman, Guthner, Knox & Elliot – Disclosure Counsel and:

Investment Banking Team includes:

Merrill Lynch – Senior Manager

Goldman Sachs – Co-Senior Manager

UBS, Citigroup and Lehman Brothers – Co-Managers

The Board also authorized staff to prepare and submit contracts for Financial Advisor, Bond Counsel and Disclosure Counsel to the Administrative Committee for review.

Proposed contracts for Bond Counsel and Financial Advisor have been prepared and reviewed by County Counsel. They are submitted in materially final form for

review and approval at this Administrative Committee meeting. The contract for Disclosure Counsel will be submitted to the Administrative Committee for review and approval at a future meeting. No contracts are required at this time for the Investment Banking services since contracts with Investment Bankers are related to specific transactions, when and if they occur. Staff recommends that the contracts be for an initial term of 3 years with two 2-year options for extensions. This term structure would allow the financing team to stay in place for at least the first three years of the new Measure I program.

Financial Impact: Contracts with Bond Counsel/Disclosure Counsel and Financial Advisor are primarily based upon hourly rates for requested professional services, with fixed fee or not to exceed project costs negotiated for some financing related project services. Some of the costs will be capitalized as costs of issuance in any future financing. A portion of the hourly rates for services are funded in Task 94207000 of the fiscal year 2006/2007 budget.

Reviewed By: This item is scheduled for review by the Administrative Committee on June 14, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

1. **Proposals for Bond Counsel/Disclosure Counsel were received from the following firms:**

Orrick*
Squire, Sanders & Dempsey*
Nossaman, Guthner, Knox & Elliott*
Best, Best & Krieger
Fulbright & Jaworski
Hawkins Delafield & Wood
Quint & Thimmig
Kutak Rock
Nixon Peabody

2. **Proposals for Investment Banking services were received from 10 firms:**

Citigroup*
Lehman Brothers*
Merrill Lynch*
Goldman Sachs*
UBS*
Bank of America
Morgan Stanley
J.P. Morgan
De La Rosa*
Bear Stearns

3. **Proposals for Financial Advisor were received from the following firms:**

Public Financial Management*
Public Resources Advisory Group*
Montague DeRose*
Fieldman Rolapp
Kelling, Northcross & Nobriega
Ross Financial
Springsted

*Firms selected for interviews.

SANBAG Contract No. 07009

by and between

San Bernardino Associated Governments

and

Orrick, Herrington & Sutcliffe LLP

for

Bond Counsel Services**FOR ACCOUNTING PURPOSES ONLY**

<input checked="" type="checkbox"/> Payable <input type="checkbox"/> Receivable	Vendor Contract # _____	Retention: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Amendment
--	-------------------------	---	--

Notes:

Original Contract: \$ <u>150000</u>	Previous Amendments Total: \$ _____
Contingency Amount: \$ _____	Previous Amendments Contingency Total: \$ _____
	Current Amendment: \$ _____
	Current Amendment Contingency: \$ _____

Contingency Amount requires specific authorization by Task Manager prior to release.

Contract TOTAL → \$ 150,000

Please include funding allocation for the original contract or the amendment →

<u>Task</u>	<u>Cost Code</u>	<u>Funding Sources</u>	<u>Amounts</u>
1 <u>94207000</u>	<u>5553</u>	1 <u>1300</u>	\$ <u>50,000</u>
2 _____	_____	2 _____	\$ _____
3 _____	_____	3 _____	\$ _____
4 _____	_____	4 _____	\$ _____

Original Board Approved Contract Date: 7/5/06 Contract Start: 7/5/06 Contract End: 7/5/09

New Amend. Approval (Board) Date: _____ Amend. Start: _____ Amend. End: _____

If this is a multi-year contract/amendment, please allocate costs among fiscal years:

Fiscal Year: <u>06/07</u> \$ <u>50,000</u>	Fiscal Year: <u>07/08</u> \$ <u>50,000</u>	Fiscal Year: <u>08/09</u> \$ <u>50,000</u>
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Is this consistent with the adopted budget? ☒ Yes ☐ NoIf no, has the budget amendment been submitted? ☐ Yes ☐ No**CONTRACT MANAGEMENT**

Please mark an "X" next to all that apply:

☐ Intergovernmental ☒ Private ☒ Non-Local ☐ Local ☐ Partly LocalDisadvantaged Business Enterprise: ☒ No ☐ Yes _____%Task Manager: Terry McGuireContract Manager: Terry McGuire

Task Manager Signature

Date

Contract Manager Signature

Date

Chief Financial Officer Signature

Date

CONTRACT NO. 07009

AGREEMENT FOR BOND COUNSEL SERVICES

This Agreement for bond counsel services (this "Agreement") is made and entered into as of the first day of June, 2006 by and between the San Bernardino Associated Governments (collectively with the San Bernardino County Transportation Authority, the "Authority" or "Issuer") and the law firm of Orrick, Herrington & Sutcliffe LLP ("Orrick" or "Bond Counsel").

RECITALS

WHEREAS, the Authority desires to issue sales tax revenues bonds, notes or other evidences of indebtedness (the "Bonds") and undertake related and other financial transactions ("Financing Matters") from time to time; and

WHEREAS, Orrick is ready, willing and able to provide services to the Authority as Bond Counsel with respect to the Bonds and other Financing Matters.

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants, terms and conditions herein contained, the parties agree as follows:

Section 1. *Engagement of Orrick.* The Authority engages the services of Orrick as an independent contractor to provide bond counsel services in connection with the Bonds and other Financing Matters, and Orrick agrees to perform such services, on the terms and conditions set forth below.

Section 2. *Scope of Services.* The services to be provided by Orrick shall consist of the services it customarily provides as bond counsel on similar matters in California, subject to the exclusions set forth below and depending on the particular circumstances of each Bond issue or other Financing Matter.

A. Customary Bond Counsel Services

With respect to Bond issues, those services will generally consist of the following:

(1) Consultation with representatives of the Authority, including County Counsel ("Issuer Counsel"), the financial advisor, the disclosure counsel, the lead underwriter, underwriters' counsel, and others, with respect to the timing, terms and legal structure of the proposed Bonds.

(2) Preparation of documents to be adopted or entered into by the Authority required for the authorization, sale and issuance of the Bonds, including preparation of the Bond resolution, Indenture and Supplemental Indenture (the "Major Legal Documents").

(3) Preparation of the Continuing Disclosure Agreement/Certificate (provided that, as Rule 15c2-12 applies only to underwriters, compliance with such rule

will be the responsibility of underwriters counsel; and if, as a result, the Continuing Disclosure Certificate/Agreement is prepared by underwriters counsel or disclosure counsel all references to that document contained in this Agreement shall be deemed deleted).

(4) Preparation of summaries of the Major Legal Documents and the Continuing Disclosure Agreement/Certificate included in the Official Statement.

(5) Review of any swap or investment agreement entered into at or prior to closing, and the procedures by which bids are solicited, in each case for compliance with federal tax laws related to tax-exemption of interest on the Bonds.

(6) Attendance at such meetings or hearings of the Authority and working group meetings or conference calls as Authority may request, and assistance to Authority staff in preparation of such explanations or presentations to the Commission as they may request.

(7) Preparation of final closing papers to be executed by Authority required to effect delivery of the Bonds (including the Tax Agreement) and coordination of the Bond closing.

(8) Rendering of Bond Counsel's customary form of final legal opinion to the Issuer on the validity of the Bonds and the tax-exempt status of interest thereon and customary form of supplemental opinion to the underwriters on the accuracy of summaries contained in the official statement of the Major Legal Documents and of the tax portion of said final legal opinion and certain other matters.

B. Additional Services

(1) In connection with swaps or investment products, if requested Orrick would provide the following services (in addition to or separate from customary bond counsel services):

(a) Review of the bid package to confirm compliance with certain tax related requirements, to clarify the Authority's position on specific points and to reduce unnecessary negotiation with providers (which may include preparation of a form of swap or investment contract to accompany the bond specifications).

(b) Review the bids received for tax compliance and conformity to the bid specifications.

(c) Negotiate the terms of the swap or investment contract with the provider or providers.

(d) Unless provided by Issuer Counsel, render a legal opinion in Orrick's customary form concerning the validity of the swap or investment contract against the Authority.

(2) In connection with public private partnerships transactions:

(a) Assist in structuring the transaction, including considerations of relationship among the parties, state law limitations, preparation of legislation if necessary, tax issues and the like.

(b) Assistance in preparation of the tender/request for proposals.

(c) Negotiation of the terms of the arrangements with the various parties.

(d) Rendering appropriate opinions on the validity of the major legal documents entered into by the Authority.

The following attorneys of Bond Counsel will have primary responsibility for the foregoing services: Roger Davis, Mary Collins, Kathleen Leak and (for tax matters) Chas Cardall.

Issuer shall have and rely on Issuer Counsel to render day-to-day and ongoing general counsel legal services. Bond Counsel shall circulate documents to and coordinate its services with Issuer Counsel to the extent requested by Issuer or Issuer Counsel. Bond Counsel shall be entitled to assume that Issuer Counsel has reviewed all documents and matters submitted to Issuer for adoption or approval or to officers of Issuer for execution prior to such adoption, approval or execution.

In rendering opinions and performing legal services under this Agreement, Bond Counsel shall be entitled to rely on the accuracy and completeness of information provided and certifications made by, and opinions provided by counsel to, Issuer and other parties and consultants, without independent investigation or verification. Knowledge of attorneys and non-attorneys at Bond Counsel's firm not working directly on the Bond issue will not be imputed to Bond Counsel nor shall there be any duty on the part of Bond Counsel to make any inquiry of such other attorneys or non-attorneys.

Bond Counsel services are generally limited to those set forth above. Bond Counsel services do not include representation of Issuer or any other party to the transaction in any litigation or other legal or administrative proceeding, audit or investigation involving any of the Bonds, other Financing Matter or any related matter. Additionally, Bond Counsel services do not include any responsibility for the preparation or content or dissemination of any Official Statement (other than preparation of summaries of the Major Legal Documents, the Continuing Disclosure Agreement/Certificate and the portion of the opinion to be rendered by Bond Counsel concerning certain tax matters) or the preparation or content of the Bond Purchase Agreement. Bond Counsel services also do not include any responsibility for compliance with federal or state securities laws, environmental, land use, real estate, insurance or similar laws or matters, any tax laws (except as required for tax exemption of the Bonds) or for title to, recording, filing or perfection of security interests in real or personal property. Bond Counsel services do not include any financial advice or analysis. Also, Bond Counsel services with respect to a Bond issue generally will not extend past the date of issuance of those Bonds and will not, for example, include services related to

rebate compliance or continuing disclosure (although Bond Logistix LLC, a wholly-owned subsidiary of Bond Counsel, may be available for separate engagement to provide either or both such services pursuant to separate contract).

Section 3. *Compensation and Reimbursements.*

A. Compensation

(a) Bond counsel will be paid a fee for each Bond issue or other Financing Matter or for work not directly associated with a particular Bond issue or Financing Matter or following the issuance of the Bonds or execution of the other Financing Matter which (at Issuer's option at the start of each Bond issue or other Financing Matter) is either:

(i) based on the amount of time expended by Bond Counsel's attorneys and paralegals/project managers at their hourly rates from time to time in effect. Such hourly rates for 2006 range from \$495-675 for partners, from \$330-630 for of counsel, from \$235-490 for associates and from \$160-240 for paralegals/project managers. Hourly rates generally increase as of the beginning of each calendar year.

(ii) a fixed fee negotiated by Bond Counsel and the Issuer with respect to the particular Bonds proposed to be issued or proposed Financial Matter. With respect to any Bond issue or other Financing Matter, Issuer may request that the fee arrangement which commenced under (i) convert from (i) to (ii); for example, once enough information is known about the transaction to enable Bond Counsel to reduce the premium that it may otherwise find necessary to address uncertainties in the type and/or amount of services which may be required of it. Such fixed fee may be wholly or partially contingent or subject to a breakage fee and may be subject to certain assumptions. Typically, if after a fixed fee has been established, unusual or unforeseen circumstances arise, and occasion substantial additional work or responsibility on the part of Bond Counsel, Bond Counsel would be entitled to request an increase in the fixed fee as it and the Issuer may mutually agree to be appropriate.

B. Reimbursement. In addition to the compensation provided above, Issuer will pay Bond Counsel for reasonable costs and expenses (direct and indirect) incurred in connection with the services, including (without limitation) filing and publication, document reproduction and delivery, travel, long distance telephone, telecopy, word processing, computer research, secretarial overtime, final transcripts and other similar expenses. Any filing, publication or printing costs required in connection with the Bonds shall be paid directly by Issuer, but if paid by the Bond Counsel on behalf of Issuer, shall be reimbursed to Bond Counsel on demand. In appropriate circumstances, Bond Counsel and Issuer may agree to a fixed amount for expenses (usually in connection with the fixed fee option described in 3(a)(ii) above).

C. Payment. Fees and expenses with respect to a Bond issue or other Financing Matter shall be payable by Issuer at or after issuance of the Bonds or execution of the other Financing Matter, unless the Bonds are not issued or the other Financing Matter is abandoned or otherwise not completed by the date which may be agreed to between Bond Counsel and the Issuer, in which case such fees and expenses (to the extent not agreed by Bond Counsel to be contingent) would be payable at that time. With

respect to other, non-transactional matters, fees and expenses will be paid periodically as the services are performed or as otherwise agreed by Bond Counsel and the Issuer (which may include adding such fees and expenses, in whole or in part, into the fees and expenses for the next transaction).

Section 4. ***Term of Agreement.*** This Agreement shall have a term of three (3) years from the date of approval of the Board of the Issuer, subject to two (2) extensions upon mutual consent, each for an additional two (2) years. Notwithstanding the foregoing, either party may terminate this Agreement at any time in whole or in part upon written notice to the other party regarding such termination. In that event, all finished and unfinished documents prepared for the adoption or execution by Issuer, shall, at the option of Issuer, become its property and shall be delivered to it or to any party it may designate; provided that Bond Counsel shall have no liability whatsoever for any subsequent use of such documents. In the event of termination by Issuer, Bond Counsel shall be paid for all satisfactory work at its usual hourly rates, unless the termination is made for cause, in which event compensation, if any, shall be adjusted in the light of the particular facts and circumstances involved in the termination.

Section 5. ***Nature of Engagement; Relationships With Other Parties.*** The role of bond counsel with respect to bond issues, generally, is to prepare or review the procedures for issuance of the bonds, notes or other evidence of indebtedness and to provide an expert legal opinion with respect to the validity thereof and other subjects (usually including the tax status of interest thereon) addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and reliance thereon by the public finance market, Bond Counsel's role as bond counsel under Section 2A of this Agreement is to provide opinions and related legal services that represent an objective judgment on the matters addressed rather than the partisan position of an advocate.

In performing its services as bond counsel in connection with Bonds, Bond Counsel will act as special counsel to Issuer with respect to issuance of the Bonds; i.e., Bond Counsel will assist Issuer Counsel in representing Issuer but only with respect to validity of the Bonds and the Major Legal Documents as to the Issuer and tax status of interest on the Bonds, and in a manner not inconsistent with the role of Bond Counsel described in the first sentence of this section.

Issuer acknowledges that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Bond Counsel has represented, is representing or may in the future represent other public entities (including the County of San Bernardino and neighboring county transportation authorities), underwriters (including each of the underwriters selected so far by the Issuer), trustees, rating agencies, insurers, credit enhancement providers, lenders, contractors, suppliers, financial and other consultants/advisors, accountants, investment providers/brokers, providers/brokers of derivative products and others who may have a role or interest in the Bond financing or other Financing Matters or that may be involved with or adverse to Issuer in this or some other matter. Bond Counsel agrees not to represent any such entity in connection with the Bond financing, during the term of this Agreement, without the consent of Issuer. Given the special, limited role of Bond Counsel described above, Issuer also acknowledges that no conflict of interest exists or would exist, and waives any actual or potential conflict of interest that might be deemed to arise, now or in the future, from this Agreement or any such other relationship that Bond Counsel may have had, have or enter into, and Issuer specifically consents to any and all such relationships.

Section 6. **Insurance.** Orrick shall maintain insurance acceptable to the Issuer in full force and effect throughout the term of this Agreement. If Orrick fails to maintain insurance acceptable to the Issuer, the Issuer may terminate this Agreement as provided in Section 4.

Section 7. **Limitation of Rights to Parties; Successor and Assigns.** Nothing in this Agreement or in any of the documents contemplated hereby, expressed or implied, is intended or shall be construed to give any person other than Issuer and Bond Counsel any legal or equitable right or claim under or in respect of this Agreement, and this Agreement shall inure to the sole and exclusive benefit of Issuer and Bond Counsel.

Bond Counsel may not assign its obligations under this Agreement without written consent of Issuer. Issuer may assign its rights and obligations under this Agreement to (but only to) any other public entity that issues the Bonds (if not the Issuer). Issuer shall not otherwise assign its rights and obligations under this Agreement without written consent of Bond Counsel. All references to Bond Counsel and Issuer in this Agreement shall be deemed to refer to any such successor of Bond Counsel and to any such assignee of Issuer and shall bind and inure to the benefit of such successor and assignee whether so expressed or not.

Section 8. **Counterparts.** This Agreement may be executed in any number of counterparts and each counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Agreement.

Section 9. **Notices.** Any and all notice pertaining to this Agreement shall be sent by U.S. Postal Service, first class, postage prepaid to Bond Counsel at Orrick, Herrington & Sutcliffe LLP, 405 Howard Street, San Francisco, California 94105, Attention: Roger L. Davis, and to Issuer at San Bernardino Associated Governments, 1170 W. 3rd Street, 2nd Floor, San Bernardino, California 92410-1715, Attention: Chief Financial Officer.

Issuer and Bond Counsel have executed this Agreement by their duly authorized representatives as of the date provided above.

**SAN BERNARDINO ASSOCIATED
GOVERNMENTS**

**ORRICK, HERRINGTON &
SUTCLIFFE, LLP**

By: _____
Dennis Hansberger
President

By: _____

Dated: _____

Dated: _____

Approved as to legal form:

Jean-Rene Basle
SANBAG Counsel

SANBAG Contract No. 07011

by and between

San Bernardino Associated Governments

and

Montague Derosé and Associates, LLC

for

Financial Advisor Services**FOR ACCOUNTING PURPOSES ONLY**

<input checked="" type="checkbox"/> Payable	Vendor Contract # _____	Retention:	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Receivable		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Amendment

Notes:

Original Contract: \$ 150000

Previous Amendments Total: \$ _____

Previous Amendments Contingency Total: \$ _____

Contingency Amount: \$ _____

Current Amendment: \$ _____

Current Amendment Contingency: \$ _____

Contingency Amount requires specific authorization by Task Manager prior to release.

Contract TOTAL → \$ 150,000

Please include funding allocation for the original contract or the amendment

<u>Task</u>	<u>Cost Code</u>	<u>Funding Sources</u>	<u>Amounts</u>
1 <u>94207000</u>	<u>5553</u>	1 <u>1300</u>	\$ <u>50,000</u>
2 _____	_____	2 _____	\$ _____
3 _____	_____	3 _____	\$ _____
4 _____	_____	4 _____	\$ _____

Original Board Approved Contract Date: 7/5/06 Contract Start: 7/5/06 Contract End: 7/5/09

New Amend. Approval (Board) Date: _____ Amend. Start: _____ Amend. End: _____

If this is a multi-year contract/amendment, please allocate costs among fiscal years:Fiscal Year: 06/07
\$ 50,000Fiscal Year: 07/08
\$ 50,000Fiscal Year: 08/09
\$ 50,000Is this consistent with the adopted budget? ☒ Yes ☐ NoIf no, has the budget amendment been submitted? ☐ Yes ☐ No**CONTRACT MANAGEMENT**

Please mark an "X" next to all that apply:

☐ Intergovernmental ☒ Private ☒ Non-Local ☐ Local ☐ Partly LocalDisadvantaged Business Enterprise: ☒ No ☐ Yes _____%Task Manager: Terry McGuireContract Manager: Terry McGuire

Task Manager Signature

Date

Contract Manager Signature

Date

Chief Financial Officer Signature

Date

CONTRACT NO. 07011

AGREEMENT FOR FINANCIAL ADVISOR

This contract is entered into as of this _____ day of _____, 2006, by San Bernardino Associated Governments (hereinafter called the "AUTHORITY") and Montague DeRose and Associates, LLC (hereinafter called the "CONTRACTOR").

I. Services to be Provided

The financial advisor shall provide the following services:

1. Review the existing strategic plan in association with the AUTHORITY's staff and selected external consultants and make recommendations in revising the financial strategy, taking into account:
 - a. The short and long-term financial needs of the AUTHORITY.
 - b. Financing options and alternative debt structures.
 - c. Needed computer model support
 - d. Financing timetables
 - e. Revenue forecast
 - f. Current and projected interest rates
2. For each bond sale, assist the AUTHORITY in determining whether a competitive or negotiated bond sale would most benefit the AUTHORITY.
3. Provide independent advice with respect to the appropriate time to enter the bond market.
4. Assist with preparation of the Preliminary and Final Official Statements.
5. Assist in presentations to the rating agencies.
6. For competitive bond sales:
 - a. Assist the AUTHORITY and bond counsel with appropriate advertising and public notices for the sale.
 - b. Assist with the distribution of the Preliminary Official Statement to potential bidders and investors.
 - c. For refunding issues, provide the refunding analysis on which the AUTHORITY will rely for the execution of the transaction, as well as structure the refunding escrow, if necessary, which will defease the refunded bonds.
 - d. Assist the AUTHORITY with the acceptance and verification of competitive bids for the bonds.

7. Review the marketing and sale of any debt prior to, during, and after the pricing of the bonds, including the comparison of the interest rates, takedown expenses, underwriter's risk, and management fees of managing underwriters.
8. Assist in the evaluation of swaps and other derivative products that the AUTHORITY may consider to meet its financing objectives. Assist the AUTHORITY in the preparation, documentation, negotiation, bidding, execution, closing and monitoring of swaps and derivatives.
9. Review and comment on follow-up analysis of the sale provided by the underwriter and the final terms of the bond sale.
10. Assist the AUTHORITY in meeting SEC disclosure requirements.
11. As asked, from time to time or on a regular basis, render advice and/or formally issue opinions as to the propriety and legal adherence of acts and policies of the AUTHORITY to the original Measure I and the Measure I extension and applicable state and federal statutes and case law, as well as generally accepted financial practices.

II. Limitation on CONTRACTOR Participation in Underwriting/Future Contracting

The CONTRACTOR shall not be allowed to participate as an underwriter or a member of a syndicate of underwriters in the sale of AUTHORITY Bonds. This prohibition shall extend for six months beyond the expiration or termination of this contract.

III. AUTHORITY's Representatives

In its capacity of financial advisor, the CONTRACTOR shall receive all instructions, directions and other communications on the AUTHORITY's behalf respecting the AUTHORITY's accounts and services to be performed from the Chief Financial Officer or the Chief Executive Officer. The CONTRACTOR is hereby authorized to rely and act upon all such instructions, directions and communications for the AUTHORITY's representative.

IV. CONTRACTOR Authority

The CONTRACTOR is hereby granted authority to advise the AUTHORITY on the full range of financial alternatives related to the AUTHORITY's outstanding debt and future bond issues. It is understood that the CONTRACTOR shall not have custody or possession of the funds or securities which the AUTHORITY has

placed under its advisement. Additionally, it is understood that the CONTRACTOR will not be eligible to participate in an investment advisory capacity.

V. CONTRACTOR Representatives

The CONTRACTOR shall assign senior personnel to manage assignments for the AUTHORITY. Unless a change is agreed to by the AUTHORITY, Douglas Montague and James Bemis will have senior management responsibility for the CONTRACTOR's work for the AUTHORITY. The CONTRACTOR shall utilize qualified personnel in the execution of all duties under this contract. The list of CONTRACTOR personnel is found in Exhibit A to this contract. The list of personnel may be amended by the CONTRACTOR from time to time.

VI. Financial Advice

The AUTHORITY recognizes that the opinions, recommendations and actions of the CONTRACTOR will be based on information deemed by it to be reliable, but not guaranteed by it. The CONTRACTOR shall be liable to and shall reimburse the AUTHORITY for any loss or damage caused by gross negligence or wrongful acts of it or its employees in performing services under this contract.

VII. Gratuities

The AUTHORITY may terminate this Agreement with one (1) calendar day's written notice if it is found that gratuities in the form of entertainment, gifts, or otherwise, were offered or given by the CONTRACTOR, or any agent or representative of the CONTRACTOR, to any officer or employee of the AUTHORITY with a view toward securing this Agreement or securing favorable treatment hereunder.

VIII. Record Retention and Inspection

The CONTRACTOR shall maintain books, records, documents and other evidence, and accounting procedures and practices sufficient to support all claims for payment made by the CONTRACTOR to the AUTHORITY. The AUTHORITY or any duly authorized representative shall have access to and the right during normal business hours to examine, audit, excerpt, copy or transcribe any pertinent transactions, activity, time cards, or other records relating to engagements under this Agreement. Such material, including all pertinent cost accounting, financial records and proprietary data shall be kept and maintained by the CONTRACTOR for three (3) years, unless the AUTHORITY's written permission is given to dispose of such material sooner. In the event that the AUTHORITY wishes to exercise its right under this Section, the AUTHORITY shall provide the CONTRACTOR with at least on business day advance written notice.

IX. Notices

All correspondence and deliverables for this agreement shall be addressed to the following:

Mr. Douglas Montague
Montague DeRose and Associates, LLC
5743 Corsa Avenue, Suite 205
Westlake Village, CA 91362

X. Compensation

Except for assignments for which the parties agree to a fixed fee for work to be completed, the AUTHORITY agrees to pay the CONTRACTOR (for services described in Section I above) based on the fee schedule included as Exhibit A to this contract, plus reimbursement for out-of-pocket expenses. Fees will be billed and paid monthly in arrears.

XI. Term

Unless terminated earlier as hereinafter provided, this contract shall be for a three (3) year term commencing upon approval by the AUTHORITY's Board of Directors. In addition, the AUTHORITY shall have the option to extend the contract for up to two (2) additional terms of two (2) years each. The option years shall be exercised by written amendments executed by the parties with the fees for the option years to be determined.

XII. No Assignment

This agreement may not be assigned by the CONTRACTOR without the AUTHORITY's consent, but may be amended at any time by mutual agreement in writing.

XIII. Governing Law

This Agreement shall be governed and construed in accordance with the laws of the State of California. Any Action brought by either party on this Engagement shall be brought in San Bernardino County.

XIV. Compliance With Laws

- A. The CONTRACTOR shall comply with all applicable Federal, State, and local laws, regulations or ordinances, which pertain to this Agreement and all provisions required thereby to be included herein, are hereby incorporated by reference.

- B. The CONTRACTOR assures that it shall comply with all applicable Federal and State civil rights statutes to the end that no person shall, on the grounds of race, religion, ancestry, national origin, sex, age, condition of physical handicap, marital status or political affiliation, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

XV. Independent Contractor

It is expressly understood that in the performance of services described herein, the CONTRACTOR is an independent contractor and is not an agent or employee of the AUTHORITY. The CONTRACTOR shall be solely responsible for and hold the AUTHORITY harmless from all matters relating to the payment of the CONTRACTOR's employees including compliance with Social Security, payroll withholding and all regulations governing such matters.

XVI. Subcontractors

With the prior written consent of the AUTHORITY, the CONTRACTOR may engage the services of Subcontractors to facilitate the completion of certain aspects of the CONTRACTOR's assignments. The CONTRACTOR shall indemnify, defend and hold harmless the AUTHORITY and its offices and employees against and from all or any claims, damages, losses or liabilities resulting from or arising out of or in any way connected with negligent acts or willful misconduct by the CONTRACTOR's Subcontractors.

XVII. Indemnity and Hold Harmless

The CONTRACTOR shall indemnify, defend and hold harmless the AUTHORITY and its offices and employees against and from all or any claims, damages, losses or liabilities resulting from or arising out of or in any way connected with negligent acts or willful misconduct by it or its employees or co-consultants in the performance of this contract. The CONTRACTOR shall also indemnify, defend and hold harmless the AUTHORITY and its officers and employees for all cost, expenses, and losses incurred by them or asserted against them as a consequence of any claims, demands or lawsuits which are made or brought against them or it by any person or entity other than the AUTHORITY arising out of the negligence or willful misconduct of it or its employees in the performance of its services under this contract. This indemnification and hold harmless clause shall survive termination of this Agreement.

XVIII. Insurance

The CONTRACTOR shall provide proof of insurance coverage to the AUTHORITY for personal injury and property damage, including commercial general and automobile liability which shall be provided in the amount of \$1,000,000 and in a form acceptable to the AUTHORITY. The AUTHORITY shall be named additional insured by separate endorsement. Carrier shall provide notice of any change in or limitation of coverage or of cancellation no less than 30 days prior to the effective date. Proof of worker's compensation coverage pursuant to statutory requirements and professional liability coverage (\$1,000,000) shall also be provided. All coverages shall be provided by a carrier authorized to transact business in California and shall be primary. The AUTHORITY shall be named as an additional insured, by separate endorsement on the respondent's general liability policy and no insurance policy shall be canceled except after thirty (30) days notice in writing to the AUTHORITY.

XIX. Termination

Notwithstanding any other provisions of this contract, the AUTHORITY may terminate this contract at any time with or without cause by giving the CONTRACTOR ten (10) days written notice. In such event, all finished or unfinished documents prepared pursuant to this contract shall, at the option of the AUTHORITY, become its property. The CONTRACTOR shall be paid for satisfactory work performed to the date of termination of the contract.

In the event of default by the CONTRACTOR, the AUTHORITY may terminate this Agreement with three (3) days written notice.

The rights and remedies of the AUTHORITY provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

XX. Entire Contract

The parties agree the all the terms of this contract shall be binding upon them and that together these terms constitute the entire agreement of the parties with respect to the subject matter hereof. No variations or modifications of the agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by an authorized agent or officer of the parties.

XXI. Counterparts

This contract may be executed in counterparts, including counterparts delivered by facsimile, each executed counterpart constituting an original, but all of which together shall constitute one contract.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures:

**SAN BERNARDINO ASSOCIATED
GOVERNMENTS**

**MONTAGUE DEROSE &
ASSOCIATES, LLC**

By: _____
Dennis Hansberger
President

By: _____
Douglas S. Montague
Principal

Dated: _____

Dated: _____

Approved as to Form:

Jean-Rene Basle
SANBAG Counsel

EXHIBIT A

Montague DeRose and Associates, LLC Personnel

Douglas Montague	Principal
Darlene DeRose	Principal
James Bemis	Principal
Ronald Slater	Senior Vice President
Chia Jung-Yang	Vice President
Gerald Slater	Assistant Vice President
Steven Calmer	Assistant Vice President
Lara Orr	Research Analyst
Anne Neumayr	Research Analyst

EXHIBIT B

Montague DeRose and Associates, LLC Hourly Fee Schedule

Hourly Rates	
Principal	\$275
Senior Vice President	\$250
Vice President	\$225
Assistant Vice President	\$215
Associate	\$200
Analyst	\$185
Research Analyst	\$175

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 7

Date: June 14, 2006

Subject: Review of Budget Policy

Recommendation:* Approve Budget Policy to permit use of Measure I Funds to fund Reimbursable Costs for Major Projects and other Programs.

Background: Many federal and state funding sources require that local funds be expended before reimbursement is requested for a specific program, project or contract. The Measure I funds are the only source of revenue that is available to SANBAG for this purpose. Measure I funds have been used since the inception of the Measure I program for this purpose.

State and federal programs that require upfront funding by SANBAG include:

Future budgets will incorporate language which will authorize SANBAG staff to use Measure I funds to fund costs of programs and projects that are expected to be reimbursed to SANBAG.

Financial Impact: The financial impact can not be quantified. Use of Measure I funds to front the reimbursable costs of programs that benefit transportation reduces investment income from Measure I fund balances while providing the funding for important programs to proceed.

*

Approved
Administrative Committee

Date: _____

Moved:

Second:

In Favor:

Opposed:

Abstained:

Witnessed: _____

Admin. Agenda Item
June 14, 2006
Page 2

Reviewed By: This item is scheduled for review by the Administrative Committee on June 14, 2006.

Responsible Staff: Terrence J. McGuire, Chief Financial Officer

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 8

Date: June 14, 2006

Subject: Allocation of Local Transportation Funds (LTF) and State Transit Assistance Funds (STAF) for Fiscal Year 2006/2007

Recommendation:* Adopt Resolution 07-001 authorizing the allocation of Local Transportation Funds (LTF) and State Transit Assistance Funds (STAF) for Fiscal Year 2006/2007.

Background: Section 99214 of the Public Utilities Code designates the San Bernardino County Transportation Commission as the regional transportation planning agency for the purpose of administering the Transportation Development Act funds. This responsibility includes the adoption of the LTF apportionments, approval all LTF and STAF claims, issuance of LTF and STAF allocation and disbursement instructions.

Section 6659 of the California Code of Regulations (CCR) requires the adoption of a resolution authorizing the issuance of LTF allocation instructions. The California Department of Transportation has proposed changes to CCR Section 6753 to clarify that only one annual resolution is required for the allocation of STAF. The attached Resolution 07-001 has been prepared for Board adoption.

*

*Approved
Administrative Committee*

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

Admin. Agenda Item
June 14, 2006
Page 2

Financial Impact: Authorization will allow the Board to issue LTF and STAF allocation instructions for its transportation planning and programming functions, commuter rail operating and capital assistance, and TDA administrative functions as approved in the Fiscal Year 2006/2007 Budget.

Reviewed By: This item will be reviewed by the Administrative Committee on June 14, 2005.

Responsible Staff: Michael Bair, Director of Transit and Rail Programs
Victoria Baker, Senior Transit Analyst

ADM0606a-mab.doc
50207000
Attachment:
R07001-mab

RESOLUTION NO. 07-001

**RESOLUTION OF THE
SAN BERNARDINO COUNTY TRANSPORTATION COMMISSION
AUTHORIZING THE ALLOCATION OF
LOCAL TRANSPORTATION FUNDS AND
STATE TRANSIT ASSISTANCE FUNDS
FOR FISCAL YEAR 2006/2007**

WHEREAS, the San Bernardino County Transportation Commission is the designated transportation planning agency for the administration of the Transportation Development Act funds within San Bernardino County; and

WHEREAS, the Southern California Association of Governments (SCAG) Executive Committee has adopted a Regional Transportation Plan (RTP) directed toward the achievement of a coordinated and balanced transportation system; and

WHEREAS, the Board of Directors has adopted a Subregional Transportation Improvement Program including planned expenditures of transportation funds, including Local Transportation Funds and State Transit Assistance Funds; and

WHEREAS, claims may be submitted under the Transportation Development Act for allocations from the Local Transportation Fund and State Transit Assistance Funds consistent with the adopted plans, programs and apportionments;

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the San Bernardino County Transportation Commission hereby approves the allocation of Local Transportation Funds and State Transit Assistance Funds for Fiscal Year 2006/2007 subject to those claims conforming to adopted apportionments and all other requirements of the Transportation Development Act, including but not limited to the following findings:

1. The claimant's proposed expenditures are in conformity with the Regional Transportation Plan.
2. The level of passenger fares and charges is sufficient to enable the operator or transit service claimant to meet the applicable fare revenue to operating expense (operating ratio) requirements.
3. The claimant is making full use of federal funds available pursuant to the Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU).

4. The sum of the claimant's allocations from the State Transit Assistance Funds and Local Transportation Fund does not exceed the amount the claimant is eligible to receive during the fiscal year.
5. Priority consideration has been given to claims to offset reductions in federal operating assistance and the unanticipated increase in the cost of fuel, to enhance existing public transportation services, and to meet high priority regional, countywide, or area wide public transportation needs.
6. The claimant has made reasonable effort to implement the productivity improvements recommended pursuant to Public Utilities Code 99244, including the specific reference to the improvements recommended and the efforts made by the claimant to implement them.
7. The claimant submits a certification issued by the Department of California Highway Patrol within the last 13 months verifying that the claimant is in compliance with Section 1808.1 of the Vehicle Code (Drivers Pull Notice Program), as required by Public Utilities Code 99251.
8. The claimant is in compliance with the qualifying criteria pursuant to Public Utilities Code Section 99314.6 (use of STAF for operating purposes).
9. The transportation services contracted for under Public Utilities Code 99400(c) are responding to a transportation need not otherwise being met within the community or jurisdiction of the claimant and that where appropriate, the services are coordinated with the existing transportation service.

BE IT FUTHER RESOLVED that such approval does not include allocations for local street and roads unless the provisions of Sections 99401.5 and 99401.6 of the Public Utilities Code have been met; and

BE IT FURTHER RESOLVED that the Executive Director or his designee is authorized to transmit allocation instructions to the San Bernardino County Auditor/Controller, having first determined that the required allocation meets all requirements of this Resolution and the Transportation Development Act.

Approved by the Board of Directors of the San Bernardino County Transportation Commission at a regular meeting thereof held this 5th day of July 2006.

*

*

*Approved
Board of Directors*

Date: July 5, 2006

Moved:

Second:

In Favor:

Opposed:

Abstained:

Witnessed: _____

- San Bernardino County Transportation Commission ■ San Bernardino County Transportation Authority
■ San Bernardino County Congestion Management Agency ■ Service Authority for Freeway Emergencies

Minute Action

AGENDA ITEM: 9

Date: June 14, 2006

Subject: Fiscal Year 2006/2007 Transportation Development Act (TDA) Unmet Transit Needs Public Hearings

Recommendation:*

1. Adopt Definitions of "Unmet Transit Needs" and "Reasonable to Meet" as identified in Attachment A.
2. Set Times, Dates and Locations for the TDA Unmet Needs Public Hearings.

Background:

Each year the San Bernardino County Transportation Commission is required by Public Utilities Code Sections 99238.5 and 99401.5 to hold public hearings for obtaining testimony regarding unmet transit needs that can be reasonably met and must adopt findings prior to making an allocation of Local Transportation Funds (LTF) for street purposes. Per the Board action of 1993, a public hearing will not be held in the Valley as all LTF revenues are committed to transit. The information obtained at these hearings will be used in the planning and budget development of the affected transit operators for the subsequent fiscal year, as recommended in the transit operators' performance audit.

In January 2003, the Board approved the definitions of "unmet transit needs" and "reasonable to meet". An amendment to Section C – Equity, under the definition of "reasonable to meet", was approved by the Board in September 2004. These definitions were the result of an extensive effort to update them with input from

*

Approved
Administrative Committee

Date: _____

Moved: _____ *Second:* _____

In Favor: _____ *Opposed:* _____ *Abstained:* _____

Witnessed: _____

during 2002. The California Department of Transportation has suggested that the definitions be reviewed and adopted on a periodic basis. Attachment A contains the current definitions and no change is being proposed at this time. These definitions will be used to respond to the testimony received.

Three public hearings are proposed for this year with the locations being the Morongo Basin, San Bernardino Mountains and Victor Valley. The Boards of the Morongo Basin Transit Authority (MBTA), the Mountain Area Regional Transit Authority (MARTA) and the Victor Valley Transit Authority (VVTa) will serve as the hearing boards at their respective locations.

The schedule for the proposed hearings is as follows:

Upper Desert Region

September 18, 2006, at 9:30 a.m.
Mojave Desert AQMD Board Chambers
14306 Park Avenue
Victorville, California

Mountain Region

September 18, 2006, at 1:00 p.m.
MARTA Operations Facility
621 Forest Shade Road
Crestline, California

Lower Desert Region

September 21, 2006, at 3:00 p.m.
Morongo Basin Transit Authority Facility
62405 Verbena Road
Joshua Tree, California

Financial Impact: This item is consistent with the adopted FY 2006/2007 budget. Funding for the public hearings is provided under Task No. 50207000, the funding source is LTF Administration.

Reviewed By: This item will be reviewed by the Administrative Committee on June 14, 2006.

Responsible Staff: Michael Bair, Director of Transit and Rail Programs
Victoria Baker, Senior Transit Analyst

Attachment A

Definitions of "Unmet Transit Needs" and "Reasonable to Meet" adopted by the San Bernardino County Transportation Commission Board of Directors on July 5, 2006

Unmet Transit Needs: Unmet transit needs are any deficiency in the provision of public transit service, specialized transit service or private for-profit and non-profit transportation.

Reasonable to Meet: Reasonable to meet is a determination to be made based upon the following guidelines, performance and financial standards:

- A. **Community acceptance** – The proposed service has community acceptance and support as determined by the Unmet Transit Needs public hearing record, the inclusion of adopted programs and plans, the adoption of governing board positions and other existing information.
- B. **Timing** –
 - 1. The proposed service shall be in response to an existing rather than future need.
 - 2. The proposed service shall be implemented consistent with the timing for federal and state grant approval if such a grant is the most appropriate primary method of funding.
- C. **Equity** – The proposed service shall:
 - 1. Not unreasonably discriminate against or in favor of any particular segment of the community.
 - 2. Not result in reduced service levels for other parts of the transit system that have equal or higher priority.
 - 3. Require a subsidy per passenger generally equivalent to 120% of similar services being operated within the first two full fiscal years of operation unless overriding reasons so justify.

D. Cost effectiveness – The proposed service shall:

1. Not duplicate other existing transportation services or resources.
2. Consider opportunities for coordinating among adjoining public entities or with private transportation providers and/or funding agencies in order to maximize existing resources (including financial) as well as legal or customary responsibilities of other entities such as social service agencies, religious organizations and schools.
3. Not adversely affect the operator's ability to meet the required ratio of fare revenue to operating cost after two full fiscal years of operation.
4. Meet a productivity level of 80% of the average number of passengers per hour for similar services being operated within the first two full fiscal years of operation unless overriding reasons so justify.

E. Operational feasibility – The proposed service must be safe to operate, including the operation of vehicles on adequately maintained roadways.

SANBAG Acronym List

1 of 2

AB	Assembly Bill
ACE	Alameda Corridor East
ACT	Association for Commuter Transportation
ADA	Americans with Disabilities Act
APTA	American Public Transportation Association
AQMP	Air Quality Management Plan
ATMIS	Advanced Transportation Management Information Systems
BAT	Barstow Area Transit
CAC	Call Answering Center
CALACT	California Association for Coordination Transportation
CALCOG	California Association of Councils of Governments
CALSAFE	California Committee for Service Authorities for Freeway Emergencies
CALTRANS	California Department of Transportation
CARB	California Air Resources Board
CEQA	California Environmental Quality Act
CHP	California Highway Patrol
CMAQ	Congestion Mitigation and Air Quality
CMP	Congestion Management Program
CNG	Compressed Natural Gas
COG	Council of Governments
CSAC	California State Association of Counties
CTA	California Transit Association
CTAA	Community Transportation Association of America
CTC	California Transportation Commission
CTC	County Transportation Commission
CTP	Comprehensive Transportation Plan
DMO	Data Management Office
DOT	Department of Transportation
E&H	Elderly and Handicapped
EIR	Environmental Impact Report
EIS	Environmental Impact Statement
EPA	United States Environmental Protection Agency
ETC	Employee Transportation Coordinator
FEIS	Final Environmental Impact Statement
FHWA	Federal Highway Administration
FSP	Freeway Service Patrol
FTA	Federal Transit Administration
FTIP	Federal Transportation Improvement Program
GFOA	Government Finance Officers Association
GIS	Geographic Information Systems
HOV	High-Occupancy Vehicle
ICMA	International City/County Management Association
ICTC	Interstate Clean Transportation Corridor
IEEP	Inland Empire Economic Partnership
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
IIP/ITIP	Interregional Transportation Improvement Program
ITS	Intelligent Transportation Systems
IVDA	Inland Valley Development Agency
JARC	Job Access Reverse Commute
LACMTA	Los Angeles County Metropolitan Transportation Authority
LNG	Liquefied Natural Gas
LTF	Local Transportation Funds
MAGLEV	Magnetic Levitation
MARTA	Mountain Area Regional Transportation Authority
MBTA	Morongo Basin Transit Authority
MDAB	Mojave Desert Air Basin
MDAQMD	Mojave Desert Air Quality Management District
MIS	Major Investment Study
MOU	Memorandum of Understanding

SANBAG Acronym List

2 of 2

MPO	Metropolitan Planning Organization
MSRC	Mobile Source Air Pollution Reduction Review Committee
MTP	Metropolitan Transportation Plan
NAT	Needles Area Transit
OA	Obligation Authority
OCTA	Orange County Transportation Authority
OWP	Overall Work Program
PA&ED	Project Approval and Environmental Document
PASTACC	Public and Specialized Transportation Advisory and Coordinating Council
PDT	Project Development Team
PPM	Planning, Programming and Monitoring Funds
PSR	Project Study Report
PTA	Public Transportation Account
PVEA	Petroleum Violation Escrow Account
RCTC	Riverside County Transportation Commission
RDA	Redevelopment Agency
RFP	Request for Proposal
RIP	Regional Improvement Program
ROD	Record of Decision
RTAC	Regional Transportation Agencies' Coalition
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan
RTPA	Regional Transportation Planning Agencies
SB	Senate Bill
SAFE	Service Authority for Freeway Emergencies
SANBAG	San Bernardino Associated Governments
SCAB	South Coast Air Basin
SCAG	Southern California Association of Governments
SCAQMD	South Coast Air Quality Management District
SCRRA	Southern California Regional Rail Authority
SED	Socioeconomic Data
SHA	State Highway Account
SHOPP	State Highway Operations and Protection Program
SOV	Single-Occupant Vehicle
SRTP	Short Range Transit Plan
STAF	State Transit Assistance Funds
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TAC	Technical Advisory Committee
TCM	Transportation Control Measure
TCRP	Traffic Congestion Relief Program
TDA	Transportation Development Act
TEA	Transportation Enhancement Activities
TEA-21	Transportation Equity Act for the 21 st Century
TIA	Traffic Impact Analysis
TMC	Transportation Management Center
TMEE	Traffic Management and Environmental Enhancement
TOC	Traffic Operations Center
TOPRS	Transit Operator Performance Reporting System
TSM	Transportation Systems Management
USFWS	United States Fish and Wildlife Service
UZAs	Urbanized Areas
VCTC	Ventura County Transportation Commission
VTA	Victor Valley Transit Authority
WRCOG	Western Riverside Council of Governments

San Bernardino Associated Governments



MISSION STATEMENT

To enhance the quality of life for all residents,
San Bernardino Associated Governments
(SANBAG) will:

- Improve cooperative regional planning
- Develop an accessible, efficient,
multi-modal transportation system
- Strengthen economic development
efforts
- Exert leadership in creative problem
solving

To successfully accomplish this mission,
SANBAG will foster enhanced relationships
among all of its stakeholders while adding
to the value of local governments.

Approved June 2, 1993
Reaffirmed March 6, 1996